Department of Finance

News Release

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Government of Canada Provides Broad-Based Tax Relief for All Canadians

The Honourable Jim Flaherty, Minister of Finance, today announced that Bill C-28—the final 2007 budget implementation bill—has received Royal Assent, providing further tax relief for individuals, families and businesses. This bill enacts into law measures included in Budget 2007 and the 2007 Economic Statement.

"Our government is establishing a proud legacy of tax relief for all Canadians," said Minister Flaherty. "Since coming to office nearly two years ago, we have reduced the overall tax burden by about $190 billion, bringing taxes to their lowest level in nearly half a century."

As a result of Bill C-28 having received Royal Assent, individuals and families will benefit from:

- An additional 1-percentage-point reduction in the goods and services tax (GST), reducing it to 5 per cent from 6 per cent effective January 1, 2008. Over the past two years, the Government cut the GST by 2 percentage points. This reduction of the GST from 7 to 5 per cent will amount to approximately $12 billion in savings for consumers next year.

- The Working Income Tax Benefit, which will provide up to $500 per year for individuals and $1,000 for families as they enter the workforce, strengthening incentives to work and helping them over the welfare wall.

- An increase in the basic personal amount to $9,600 retroactive to January 1, 2007, with a further increase to $10,100 on January 1, 2009. This is the amount all Canadians can earn without paying federal income tax.

- A reduction in the lowest personal income tax rate from 15.5 per cent to 15 per cent retroactive to January 1, 2007.

- The elimination of income tax on elementary and secondary school scholarships.

- An enhanced children's fitness tax credit.

- An expanded public transit tax credit to include certain electronic payment cards and weekly passes.

Canadian businesses will also benefit from tax relief measures such as:

- An historic reduction in the general federal corporate income tax rate to 15 per cent by 2012, starting with a 1-percentage-point reduction in the rate in 2008 beyond already scheduled reductions.

- A reduction in the small business income tax rate to 11 per cent in 2008, one year earlier than scheduled.

- An increase in the lifetime capital gains exemption for small business owners, farmers and fishers to $750,000.

- An increase in the deductible percentage of meal expenses for long-haul truck drivers.

- An extension of the mineral exploration tax credit to March 31, 2008, to allow funds to be raised to support exploration spending up until the end of 2009.

- A reduction in the tax remittance and filing requirements for small business.

Bill C-28 will also eliminate withholding tax on arm's length outbound interest payments to residents of all countries effective January 1, 2008. This major step forward in Canada's international tax policy will increase access to foreign capital markets and reduce costs for Canadians and Canadian businesses that borrow from foreign lenders.

"By passing this bill and further reducing taxes, our government is creating an environment that rewards hard work, encourages growth and improves the quality of life for individuals, families and businesses," said Minister Flaherty.

"Canadians will start to see the impacts of these tax cuts in their wallets on January 1, 2008, because of the proactive steps being taken by the Canada Revenue Agency to implement rate reductions," said Gordon O'Connor, Minister of National Revenue. "The Canada Revenue Agency is taking action to support individual Canadians and businesses with technical advice to ensure a smooth implementation of the various tax measures."

For additional information about the new tax measures that were announced in Budget 2007 and the 2007 Economic Statement, visit www.cra.gc.ca/agency/economic.

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